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CENTRAL INTELLIGENCE AGENCY



DIRECTORATE OF INTELLIGENCE

China: Oil Demand Not to Resume Growth

8 February 2002

Flat in 2001

China's total apparent oil consumption for last year remained at 2000 levels—which saw a jump of 9.1 percent from 1999.¹ Apparent consumption was 4.6 million barrels a day (b/d) last year, according to official Chinese statistics and press reports (see graphic on page 2).

- The lack of growth was mostly due to sharply higher crude oil imports in 2000 that led to an overhang in refined product stocks in 2001.
- Net crude and product imports last year were about 1.3 million b/d according to official Chinese statistics. Domestic oil production was about 3.3 million b/d, according to press reports

Some Growth This Year

China's total apparent oil consumption this year could rise by 3.3 percent.

- The higher oil use will be driven by economic growth. Chinese Government and foreign private-sector analysts expect China's real GDP growth in 2002 will be slightly above 7 percent, similar to 2001.
- 80 percent of China's total apparent oil consumption growth this year will be from higher imports.

Outlook to 2010 (C/NF)

Barring a protracted economic slowdown, China's oil requirements will increase over the long term. According to US Energy Information Administration (EIA) and CIA projections, China will consume 6.7 to 7.5 million b/d in 2010, nearly 50 percent higher than year 2000 consumption.

- CIA's baseline projection of 7.5 million b/d in 2010—the same as EIA high economic growth case—assumes annual GDP growth of 7.1 percent and an oil elasticity of 0.7.
- A rapidly expanding transportation sector will account for most of the consumption increase, according to the EIA.

China will become more dependent on imported oil—especially from the Persian Gulf and West Africa—because prospects for a sustained, substantial output boost from its mature domestic oil sector appear poor.

- Persian Gulf and West Africa oil last year accounted for 56 percent and 22 percent, respectively, of China's 1.15 million b/d of gross crude oil imports, according to official Chinese statistics.
- China's oil production will remain stagnant or could decrease by 2010 as aging fields continue to decline, according to Chinese and Western press, the EIA.

CIA/OTI

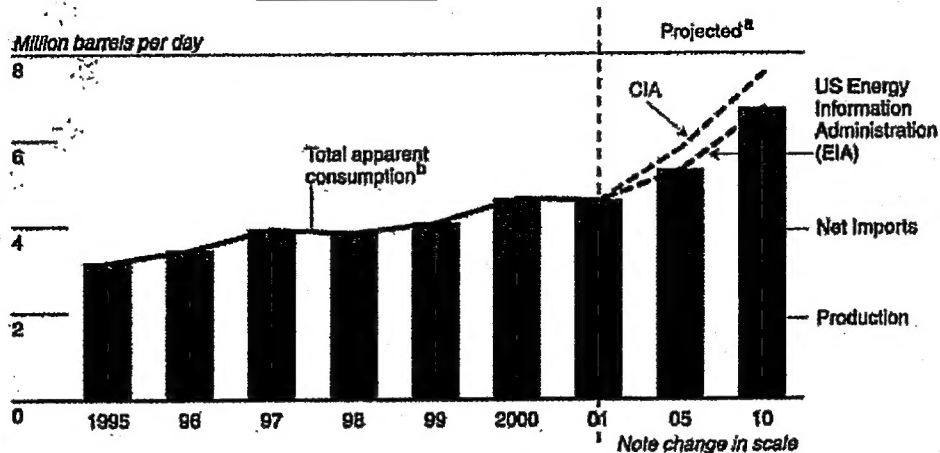
IA 2002-025

¹ Total apparent consumption is production plus net imports of crude oil and refined product, excluding stocks.

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Figure 1
China: Oil Consumption, 1995-2010



^a EIA projections.

^b Total consumption is production plus net imports of crude oil and refined product, excluding stocks.

Sources: Press, official Chinese statistics, EIA reference case,

OTI Production 101725A/ 2-02